

**PELLA COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2015**



## Table of Contents

		<u>Page</u>
Board of Education and School District Officials		2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	16-17
Statement of Activities	B	18-19
Governmental Funds Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet -		
Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes		
in Fund Balances - Governmental Funds To the Statement of Activities	F	24
Proprietary Funds Financial Statements:		
Statement of Net Position	G	25
Statement of Revenues, Expenses and Changes in Fund Net Position	H	26
Statement of Cash Flows	I	27
Fiduciary Funds Financial Statements:		
Statement of Fiduciary Net Position	J	28
Statement of Changes in Fiduciary Net Position	K	29
Notes to Financial Statements		30-47
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in		
Balances - Budget and Actual - All Governmental Funds		
and Proprietary Funds		49
Notes to Required Supplementary Information - Budgetary Reporting		50
Schedule of the District's Proportionate Share of the Net Pension Liability		51
Schedule of District Contributions		52
Notes to Required Supplementary Information – Pension Liability		53
Schedule of Funding Progress for the Retiree Health Plan		54
Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	58-59
Capital Project Accounts:		
Combining Balance Sheet	4	60
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	61
Proprietary Funds:		
Combining Statement of Net Position	6	62
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	7	63
Combining Statement of Cash Flows	8	64-65
Schedule of Revenues by Source and Expenditures by Function -		
All Governmental Funds	9	66
Schedule of Expenditures of Federal Awards	10	67
Notes to Schedule of Federal Awards		68
Independent Auditor's Report on Internal Control over Financial Reporting and on		
Compliance and Other Matters Based on an Audit of Financial Statements		
Performed in Accordance with <i>Government Auditing Standards</i>		69-70
Independent Auditor's Report on Compliance for Each Major Federal Program and		
Internal Control over Compliance Required by OMB Circular A-133		71-72
Schedule of Findings and Questioned Costs		73-75

**Pella Community School District  
Board of Education and School District Officials  
Year Ended June 30, 2015**

---

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Joan Corbin	President	2017
Timothy Tripp	Vice President	2017
Gregg Gustafson	Board Member	2015
Gary Coppock	Board Member	2015
Michelle Van Maanen	Board Member	2017
<b>School District Officials</b>		
Greg Ebeling	Superintendent	2015
Katelyn Bierl	District Secretary	2015
Mary Bogaard	Treasurer	2015
Ahlers & Cooney	Attorney	Indefinite



705 Main Street  
Pella, IA 50219  
Ph.: 641-628-3737  
Fax: 641-628-3757

[www.vanmaanencpa.com](http://www.vanmaanencpa.com)

**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report**

To the Board of Education  
Pella Community School District  
Pella, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Pella Community School District, Pella, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Pella Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 12 to the financial statements, Pella Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 49 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pella Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the Pella Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pella Community School District's internal control over financial reporting

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 15, 2015

## **Management Discussion and Analysis**

The Pella Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **Financial Highlights**

- General Fund revenues for FY15 were \$22,833,500 compared to \$21,532,684 for FY14. This was an increase of \$1,300,816 or 6.04%.
- General Fund expenditures for FY15 were \$22,701,558 compared to \$21,940,898 for FY14. This was an increase of \$760,660 or 3.47%.
- The District's General Fund unassigned fund balance for FY15 was \$2,270,291 compared to \$2,228,838 for FY14. This was an increase of \$41,453 or 18.59%.
- The Financial Solvency Ratio is an accepted measure of the district's financial health and is calculated by taking the undesignated, unreserved fund balance divided by the total revenues. This ratio decreased from 10.35% in FY14 to 9.94% in FY15. The District attempts to target a solvency ratio between 5% and 10%.
- The District ended FY15 with a special education deficit of \$609,642. This compares to \$530,398 for FY14, an increase of \$79,244.
- While the financial measures of the district remain at healthy levels, it will be incumbent upon management to remain diligent in managing future budgets and resources. While the on-going stability and predictability of future funding remains somewhat questionable, the district continues to be well positioned to withstand these challenges.
- A ten year comparison of the District's assessed valuations, tax increment financing and total tax rates are as follows:

<b>Year</b>	<b>Assessed Valuation</b>	<b>Tax Increment Financing</b>	<b>Total Tax Rate - %</b>
2013-2014	\$ 741,898,237	23,496,071	14.70030
2012-2013	708,484,429	15,028,484	14.36515
2011-2012	621,722,509	52,619,101	14.21433
2010-2011	603,931,771	49,332,363	13.99439
2009-2010	603,548,029	34,192,965	13.83649
2008-2009	551,197,053	58,983,585	13.84418
2007-2008	478,010,818	72,596,699	13.88073
2006-2007	470,138,907	68,740,308	13.41259
2005-2006	463,535,140	66,071,157	13.52362
2004-2005	458,097,534	65,307,399	13.57896

### Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

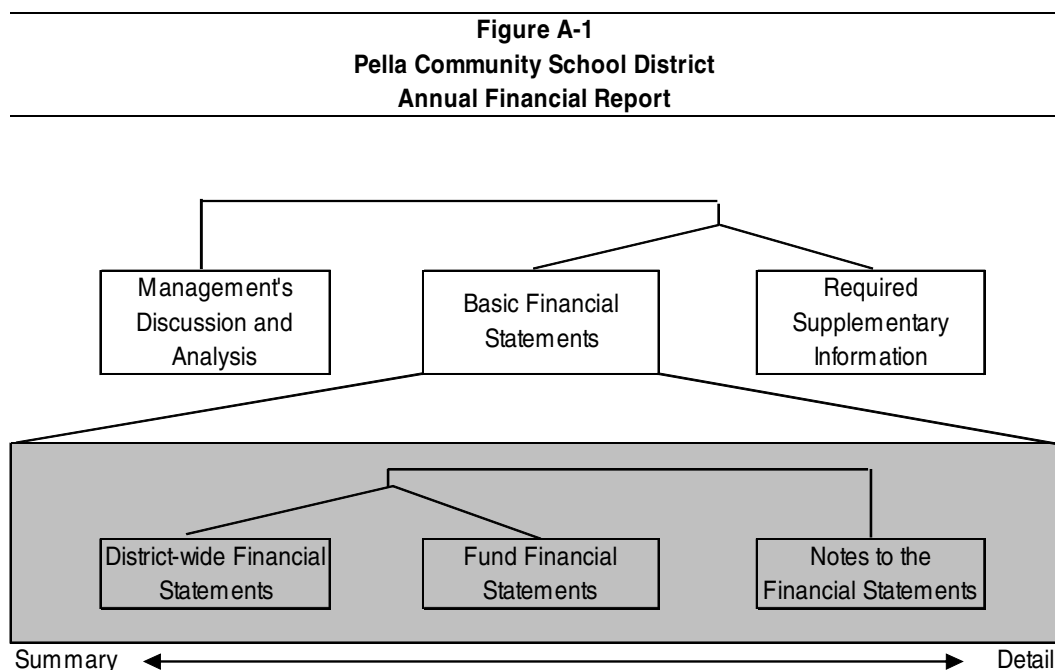




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**  
**Major Features of the District-wide and Fund Financial Statements**

	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of Net Position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses and changes in fund net position * Statement of cash	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Community Services	Special Projects

## **District-wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school food service program would be included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

*Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

*Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

*Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

**Net position** – Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-2015
Current assets	\$ 34,747,157	45,891,732	353,404	365,572	35,100,561	46,257,304	-24.1%
Noncurrent assets	49,243,743	34,366,176	129,543	160,156	49,373,286	34,526,332	43.0%
Total assets	83,990,900	80,257,908	482,947	525,728	84,473,847	80,783,636	4.6%
Deferred outflows of resources	2,077,857	-	42,914	-	2,120,771	-	-
Current liabilities	8,382,787	6,225,773	2,759	2,838	8,385,546	6,228,611	34.6%
Noncurrent liabilities	43,461,206	36,700,176	220,915	57,962	43,682,121	36,758,138	18.8%
Total liabilities	51,843,993	42,925,949	223,674	60,800	52,067,667	42,986,749	21.1%
Deferred inflows of resources	14,177,895	10,997,800	64,331	-	14,242,226	10,997,800	29.5%
Net Position:							
Invested in capital assets, net of related debt	10,571,871	11,594,236	129,543	160,156	10,701,414	11,754,392	-9.0%
Restricted	4,843,461	13,174,610	-	-	4,843,461	13,174,610	-63.2%
Unrestricted	3,916,537	1,565,313	108,313	307,772	4,024,850	1,873,085	114.9%
Total Net Position	\$ 19,331,869	26,334,159	237,856	467,928	19,569,725	26,802,087	-27.0%

The District's combined net position decreased by 27 % from \$26,802,087 to \$19,569,725.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$9,794,529 and \$202,289, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**Pella Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2015**

**Changes in net position** – Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**Figure A-4  
Changes in Net Position**

	<b>Governmental activities</b>		<b>Business type activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>June 30,</b>
	<b>2014</b>		<b>2014</b>		<b>2014</b>		<b>2014-2015</b>
	<b>(Not</b>		<b>(Not</b>		<b>(Not</b>		
	<b>restated)</b>		<b>restated)</b>		<b>restated)</b>		
	<b>2015</b>	<b>restated)</b>	<b>2015</b>	<b>restated)</b>	<b>2015</b>	<b>restated)</b>	
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 1,828,105	1,792,027	776,825	713,691	2,604,930	2,505,718	3.96%
Operating grants and contributions	4,226,170	3,424,103	325,903	322,278	4,552,073	3,746,381	21.51%
General Revenues:							
Local taxes	11,868,119	11,128,270	-	-	11,868,119	11,128,270	6.65%
Statewide sales, services and use tax	2,096,063	1,983,485	-	-	2,096,063	1,983,485	5.68%
Unrestricted state grants	8,791,841	9,033,981	-	-	8,791,841	9,033,981	-2.68%
Investment earnings	114,083	104,706	1,093	1,179	115,176	105,885	8.77%
Other	549,793	333,942	-	-	549,793	333,942	64.64%
Total revenues	29,474,174	27,800,514	1,103,821	1,037,148	30,577,995	28,837,662	6.03%
<b>Expenses:</b>							
Program expenses:							
Instruction	17,410,037	16,924,990	-	-	17,410,037	16,924,990	2.87%
Support services - students & staff	1,888,809	1,924,667	-	-	1,888,809	1,924,667	-1.86%
Support services - administration	1,946,258	1,861,274	-	-	1,946,258	1,861,274	4.57%
Operations and maintenance	2,216,547	2,285,585	-	-	2,216,547	2,285,585	-3.02%
Transportation	1,153,690	1,148,336	-	-	1,153,690	1,148,336	0.47%
Non-instructional activities	(38,197)	32,585	1,131,604	1,145,806	1,093,407	1,178,391	-7.21%
Other expenditures	2,104,791	1,870,080	-	-	2,104,791	1,870,080	12.55%
Total expenses	26,681,935	26,047,517	1,131,604	1,145,806	27,813,539	27,193,323	2.28%
Change in Net Position	\$ 2,792,239	1,752,997	(27,783)	(108,658)	2,764,456	1,644,339	68.12%

**Governmental Activities**

Local taxes and unrestricted state grants account for 70.1 percent of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 92.2 percent of the total expenses.

Revenues for governmental activities were \$29,474,174 and expenses were \$26,681,935, resulting in a net asset increase of \$2,792,239.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5  
Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services</b>		<b>Change</b>	<b>Net Cost of Services</b>		<b>Change</b>
	<b>2014 (Not</b>			<b>2014 (Not</b>		
	<b>2015</b>	<b>restated)</b>	<b>2014-2015</b>	<b>2015</b>	<b>restated)</b>	<b>2014-2015</b>
Instruction	\$ 17,410,037	16,924,900	2.9%	12,432,282	12,770,914	-2.7%
Support services	7,205,304	7,219,862	-0.2%	7,015,802	7,026,475	-0.2%
Non-instructional programs	(38,197)	32,585	-217.2%	38,197	32,585	17.2%
Other expenses	2,104,791	1,870,080	12.6%	1,217,773	1,001,413	21.6%
Totals	\$ 26,681,935	26,047,427	2.4%	20,704,054	20,831,387	-0.6%

- The cost financed by users of the District's programs was \$1,828,105.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,226,170.
- The net cost of governmental activities was financed with \$11,868,119 in local taxes, \$8,791,841 in unrestricted state grants, \$2,096,063 in local option sales and services tax, \$114,083 in interest income and \$549,793 in other income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$1,103,821 and expenses were \$1,131,604. The District's business-type activities include Families First and the School Nutrition Fund. The School Nutrition Fund, however, accounts for 92.2 percent of the business-type activity. Revenues of these activities were comprised of \$714,187 in charges for service, \$325,903 for federal and state reimbursements and investment income of \$1,093. The net position for business-type activities decreased by \$27,783.

### **Financial Analysis of the District's Funds**

As previously noted, the Pella Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$16,972,104. This compares to \$30,609,944 last year, a decrease of \$13,637,840. This fund balance includes \$54,710 in restricted fund balance held for the future retirement of long-term debt and \$13,184,308 in restricted fund balance held for school infrastructure projects. Without those restricted amounts the fund balance increased \$211,067.

### **Governmental Fund Highlights**

- The General Fund balance increased \$147,003 from \$2,842,019 to \$2,989,022.
- The Activity Fund balance decreased \$61,081 from \$292,236 to \$231,155.
- The Management Fund balance increased \$101,362 from \$368,461 to \$469,823.
- The Physical Plant & Equipment Levy (PPEL) Fund balance increased \$23,783 from \$19,303 to \$43,086.
- The Statewide Sales, Services and Use Tax Fund balance increased \$654,429 from \$2,892,529 to \$3,546,958. The Statewide Sales, Services and Use Tax generated \$2,096,063. The District receives money from Jasper, Mahaska and Marion Counties. Interest income was \$10,300.
- The Debt Service Fund balance decreased \$9,252,765 from \$9,307,475 to \$54,710.

### **Proprietary Fund Highlights**

The District's Proprietary Funds include the School Nutrition Fund and Families First.

- The School Nutrition Fund net position decreased \$11,842, from \$249,698 to \$237,856.
- Families First is a community services oriented program. The revenues and expenditures of this program ran through the District's financial accounting records through June 30, 2015. Beginning July 1, 2015, Families First is no longer recorded on the District's financial accounting records. This program is dependent upon contributions, grants and some user fees for its operation. The balance in this fund decreased from \$15,941 to \$0.

## Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 49 and 50.

### Legal Budgetary Highlights

The District's total actual receipts were \$339,860 more than the total budgeted receipts, a variance of 1.1%. Total expenditures were \$3,362,499 more than the total budgeted expenditures, a variance of 6.6%.

## Capital Assets and Debt Administration

### Capital Assets

At June 30, 2015, the District had invested \$49,373,286, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, musical instruments, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,926,050.

The original cost of the District's capital assets was \$79,026,058. Governmental funds account for \$77,967,775 with the remaining \$1,058,283 in the School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	<b>Governmental Activities</b>		<b>Business Type activities</b>		<b>Total School District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2014-2015</b>
Land	\$ 1,949,558	1,949,558	-	-	1,949,558	1,949,558	0.0%
Construction in progress	13,419,264	3,799,543	-	-	13,419,264	3,799,543	100.0%
Buildings	29,042,372	23,858,475	-	-	29,042,372	23,858,475	21.7%
Improvements other than buildings	2,073,182	2,284,639	-	-	2,073,182	2,284,639	-9.3%
Furniture and equipment	2,759,367	2,473,961	129,543	160,157	2,888,910	2,634,118	9.7%
Totals	\$49,243,743	34,366,176	129,543	160,157	49,373,286	34,526,333	43.0%

### Long-Term Debt

At June 30, 2015, the District had \$36,625,000 in general obligation bonds and other long-term debt. This is a decrease of \$685,000 from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations, net of premiums and discounts</b>			
	<b>June 30,</b>		<b>Total Change</b>
	<b>2015</b>	<b>2014</b>	
General obligation bonds	\$36,572,007	37,187,027	-1.7%
Capital lease	239,012	472,834	-49.5%
Early retirement	375,755	447,308	-16.0%
Compensated absences	35,739	32,765	9.1%
Net Pension Liability	8,336,101	-	0.0%
Other postemployment benefits	833,541	743,954	12.0%
<b>Totals</b>	<b>\$46,392,155</b>	<b>38,883,888</b>	<b>19.3%</b>

The District had total outstanding bonded indebtedness at June 30, 2015 of \$36,625,000. This represents five separate bond issues, one of which is a refunding issue. The final four bond issues are being used to finance infrastructure improvements approved by the voters in 2014.

The District also has a long-term debt obligation for its early retirement plan, which was \$375,755 at June 30, 2015. Retiring employees are currently allowed to receive payments until they reach age 65. This obligation is paid from the District's Management Fund. Other postemployment benefits total \$833,541.

#### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The October, 2015 enrollment increased by 28 students. This increase will provide additional funding for the 2016-2017 school year. Supplemental State Aid has not been set for 2016-2017, so any additional future funding is unknown at this time.
- The District's transportation fleet remains in good shape overall. This past year two buses and one support vehicle were purchased.
- The District was approved as one of 37 Iowa School Districts to receive the Teacher Leadership and Compensation Grant from the State of Iowa. This money is being used to create a teacher leadership structure and resulted in the addition of many new positions. This also allowed some cost shifting for the 2015-2016 school year which will help offset some of the lost revenue from declining enrollment.
- Pella is home to the corporate headquarters of Pella Corporation and Vermeer Manufacturing. The current economic environment seems to have stabilized, and neither Pella Corporation nor Vermeer Manufacturing has experienced any layoffs of employees in the past year. The property tax base remains solid and housing starts continue at an increased rate from the previous several years.
- The Pella Community School District is very unique in that it does not have a collective bargaining agreement with its teachers. There continues to be a very amicable relationship between management and labor.
- There were no significant changes in leadership during the past year.
- All in all, the 2014-2015 school-year was a challenging year financially. The 2015-2016 school year seems manageable at this point, however the District remains cautious about any potential adverse action by the Legislature or a continuing trend of decreased enrollment that could negatively impact funding.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Bogaard, Business Manager, Pella Community School District, 210 E. University, P.O. Box 468, Pella, Iowa, 50219.



## **Basic Financial Statements**

**Exhibit A**

**Pella Community School District**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 21,886,663	334,811	22,221,474
Receivables:			
Property tax:			
Delinquent	102,999	-	102,999
Succeeding year	11,063,077	-	11,063,077
Accounts	4,725	-	4,725
Due from other governments	1,665,908	-	1,665,908
Inventories	23,785	18,593	42,378
Total current assets	34,747,157	353,404	35,100,561
Noncurrent assets:			
Capital assets:			
Capital assets, nondepreciable	15,368,822	-	15,368,822
Capital assets, depreciable, net	33,874,921	129,543	34,004,464
Total noncurrent assets	49,243,743	129,543	49,373,286
<b>Total assets</b>	<b>83,990,900</b>	<b>482,947</b>	<b>84,473,847</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows of resources	2,077,857	42,914	2,120,771
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	3,689,559	2,198	3,691,757
Salaries and benefits payable	1,905,984	561	1,906,545
Advances from Grantors	712,687	-	712,687
Accrued interest payable	79,523	-	79,523
Capital leases payable	239,012	-	239,012
General obligation bonds payable	1,515,186	-	1,515,186
Early retirement	205,097	-	205,097
Compensated absences	35,739	-	35,739
Total current liabilities	8,382,787	2,759	8,385,546
Noncurrent liabilities:			
General obligation bonds payable	35,056,821	-	35,056,821
Early retirement	170,658	-	170,658
Net pension liability	8,167,417	168,684	8,336,101
Other post employment benefits	781,310	52,231	833,541
Total noncurrent liabilities	44,176,206	220,915	44,397,121
<b>Total liabilities</b>	<b>52,558,993</b>	<b>223,674</b>	<b>52,782,667</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenues	11,063,077	-	11,063,077
Pension related deferred inflows	3,114,818	64,331	3,179,149
<b>Total deferred inflows of resources</b>	<b>14,177,895</b>	<b>64,331</b>	<b>14,242,226</b>

**Exhibit A****Pella Community School District  
Statement of Net Position  
June 30, 2015**

	Governmental Activities	Business Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	10,571,871	129,543	10,701,414
Restricted for:			
Categorical funding	694,946	-	694,946
Physical plant and equipment levy	43,086	-	43,086
Management levy purposes	299,165	-	299,165
Student activities	231,155	-	231,155
School infrastructure	3,546,958	-	3,546,958
Debt service	4,366	-	4,366
Purpose restricted	23,785	-	23,785
Unrestricted	3,916,537	108,313	4,024,850
<b>Total net position</b>	<b>\$ 19,331,869</b>	<b>237,856</b>	<b>19,569,725</b>

See notes to financial statements.

Exhibit B

Pella Community School District  
Statement of Activities  
June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:						
Regular	\$ 10,558,746	831,263	2,304,190	(7,423,293)	-	(7,423,293)
Special	3,208,610	191,832	450,299	(2,566,479)	-	(2,566,479)
Other	3,642,681	786,355	413,816	(2,442,510)	-	(2,442,510)
	17,410,037	1,809,450	3,168,305	(12,432,282)	-	(12,432,282)
Support Service:						
Student	509,183	-	-	(509,183)	-	(509,183)
Instructional staff	1,379,626	-	-	(1,379,626)	-	(1,379,626)
Administration	1,946,258	-	-	(1,946,258)	-	(1,946,258)
Operating and maintenance of plant	2,216,547	18,655	-	(2,197,892)	-	(2,197,892)
Transportation	1,153,690	-	170,847	(982,843)	-	(982,843)
	7,205,304	18,655	170,847	(7,015,802)	-	(7,015,802)
Non-instructional programs	(38,197)	-	-	38,197	-	38,197
Other expenditures:						
Long-term debt interest	1,217,773	-	-	(1,217,773)	-	(1,217,773)
AEA flowthrough	887,018	-	887,018	-	-	-
	2,104,791	-	887,018	(1,217,773)	-	(1,217,773)
Total governmental activities	26,681,935	1,828,105	4,226,170	(20,627,660)	-	(20,627,660)
Business type activities:						
Non-instructional programs:						
Community services	75,899	59,958	-	-	(15,941)	(15,941)
Nutrition services	1,055,705	716,867	325,903	-	(12,935)	(12,935)
Total business type activities	1,131,604	776,825	325,903	-	(28,876)	(28,876)
Total primary government	\$ 27,813,539	2,604,930	4,552,073	(20,627,660)	(28,876)	(20,656,536)

Exhibit B

Pella Community School District  
Statement of Activities  
June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Totals continued from previous pages</b>	<u>\$ 27,813,539</u>	<u>2,604,930</u>	<u>4,552,073</u>	(20,627,660)	(28,876)	(20,656,536)
General Revenues:						
Property tax levied for:						
General purposes				9,031,147	-	9,031,147
Debt service				2,074,345	-	2,074,345
Capital outlay				762,627	-	762,627
Statewide sales, services and use tax				2,096,063	-	2,096,063
Unrestricted state grants				8,791,841	-	8,791,841
Unrestricted investment earnings				114,083	1,093	115,176
Contributions not restricted to specific programs				136,441	-	136,441
Gain on disposal of capital assets				15,061	-	15,061
Other				398,291	-	398,291
Total general revenues				<u>23,419,899</u>	<u>1,093</u>	<u>23,420,992</u>
Change in net position				2,792,239	(27,783)	2,764,456
Net position beginning of year, as restated				<u>16,539,630</u>	<u>265,639</u>	<u>16,805,269</u>
Net position end of year				<u>\$ 19,331,869</u>	<u>237,856</u>	<u>19,569,725</u>

See notes to financial statements.

**Exhibit C**

**Pella Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash and pooled investments	\$ 4,547,359	67,884	16,138,342	934,429	21,688,014
Receivables:					
Property tax:					
Current year delinquent	86,048	12,853	-	4,098	102,999
Succeeding year	7,338,145	2,454,357	770,572	500,003	11,063,077
Accounts	-	-	4,725	-	4,725
Due from other governments	1,352,298	12	313,594	4	1,665,908
Inventories	23,785	-	-	-	23,785
<b>Total assets</b>	<b>\$ 13,347,635</b>	<b>2,535,106</b>	<b>17,227,233</b>	<b>1,438,534</b>	<b>34,548,508</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 402,981	26,039	3,229,267	31,272	3,689,559
Salaries and benefits payable	1,904,800	-	-	1,184	1,905,984
Early retirement payable	-	-	-	205,097	205,097
Total liabilities	2,307,781	26,039	3,229,267	237,553	5,800,640
Deferred inflows of resources					
Unavailable revenues:					
Succeeding year property tax	7,338,145	2,454,357	770,572	500,003	11,063,077
Succeeding year income surtax	712,687	-	-	-	712,687
Total deferred inflows of resources	8,050,832	2,454,357	770,572	500,003	11,775,764
Fund balances:					
Nonspendable for:					
Inventories	23,785	-	-	-	23,785
Restricted for:					
Categorical funding	694,946	-	-	-	694,946
Debt service	-	54,710	-	-	54,710
Management levy purposes	-	-	-	469,823	469,823
Student activities	-	-	-	231,155	231,155
School infrastructure	-	-	13,184,308	-	13,184,308
Physical plant and equipment	-	-	43,086	-	43,086
Unassigned	2,270,291	-	-	-	2,270,291
Total fund balances	2,989,022	54,710	13,227,394	700,978	16,972,104
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 13,347,635</b>	<b>2,535,106</b>	<b>17,227,233</b>	<b>1,438,534</b>	<b>34,548,508</b>

See notes to financial statements.

**Exhibit D**

**Pella Community School District**  
**Reconciliation of the Balance Sheet**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2015**

---

**Total fund balances of governmental funds (Exhibit C)** **\$ 16,972,104**

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 49,243,743

The Internal Service Fund is used by management to charge the costs of partial self funding of the District's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 198,649

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 2,077,857	
Deferred inflows of resources	(3,114,818)	(1,036,961)

Long-term liabilities, including bonds and notes payable, compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

General obligation bonds payable	(36,625,000)	
Capital lease	(239,012)	
Bond discounts, net	366,182	
Bond premiums, net	(313,189)	
Accrued interest	(79,523)	
Early retirement	(375,755)	
Portion of early retirement reflected on governmental funds	205,097	
Compensated absences	(35,739)	
Net pension liability	(8,167,417)	
Other post employment benefits	(781,310)	(46,045,666)

**Net position of governmental activities (Exhibit A)** **\$ 19,331,869**

See notes to financial statements.

**Exhibit E**

**Pella Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year ended June 30, 2015**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 8,383,215	2,074,345	845,230	647,932	11,950,722
Tuition	867,199	-	-	-	867,199
Other	412,682	45,257	-	874,643	1,332,582
State sources	12,462,340	30,683	2,107,344	179	14,600,546
Federal sources	708,064	-	-	-	708,064
Total revenues	22,833,500	2,150,285	2,952,574	1,522,754	29,459,113
Expenditures:					
Current:					
Instruction:					
Regular instruction	9,504,703	-	199,812	309,672	10,014,187
Special instruction	3,169,338	-	-	-	3,169,338
Other instruction	2,608,692	-	-	924,114	3,532,806
	15,282,733	-	199,812	1,233,786	16,716,331
Support services:					
Student services	505,660	-	-	1,118	506,778
Instructional staff services	1,341,044	-	80,456	671	1,422,171
Administration services	1,765,806	-	169,052	7,454	1,942,312
Operation and maintenance of plant services	2,037,292	-	240,693	136,830	2,414,815
Transportation services	882,005	-	217,970	102,614	1,202,589
	6,531,807	-	708,171	248,687	7,488,665
Other expenditures:					
Facilities acquisition	-	-	15,935,766	-	15,935,766
Long-term debt:					
Principal	-	11,023,822	-	-	11,023,822
Interest and fiscal charges	-	1,227,004	-	-	1,227,004
AEA flowthrough	887,018	-	-	-	887,018
	887,018	12,250,826	15,935,766	-	29,073,610
Total expenditures	22,701,558	12,250,826	16,843,749	1,482,473	53,278,606
Excess (deficiency) of revenues over (under) expenditures	131,942	(10,100,541)	(13,891,175)	40,281	(23,819,493)



**Exhibit E**

**Pella Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year ended June 30, 2015**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources:					
Proceeds from sale of assets	15,061	-	-	-	15,061
General obligation bond proceeds	-	-	10,105,000	-	10,105,000
General obligation bond premium	-	-	138,639	-	138,639
General obligation bond discount	-	-	(77,047)	-	(77,047)
Operating transfers in	-	847,776	-	-	847,776
Operating transfers out	-	-	(847,776)	-	(847,776)
Total other financing sources	15,061	847,776	9,318,816	-	10,181,653
Net change in fund balances	147,003	(9,252,765)	(4,572,359)	40,281	(13,637,840)
Fund balances beginning of year	2,842,019	9,307,475	17,799,753	660,697	30,609,944
Fund balances end of year	\$ 2,989,022	54,710	13,227,394	700,978	16,972,104

See notes to financial statements.

**Exhibit F**

**Pella Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2015**

---

**Net change in fund balances - total governmental funds (Exhibit E)** **\$ (13,637,840)**

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 16,773,004	
Less current year depreciation	(1,895,437)	14,877,567

Fixed assets acquired by capital lease are shown as an expenditure and other financing source in the governmental funds. Equipment financed by the lease was capitalized and is being depreciated. The capital outlay for the assets purchased by the lease must be added to the Statement of Activities, the other financing source must be removed from the Statement of Activities and principal payments are applied to the lease liability. Current year items are as follows:

Payments of capital lease principal	233,822
-------------------------------------	---------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

Proceeds from general obligation bonds received	(10,105,000)	
Discounts on general obligation bonds	77,046	
Premiums on general obligation bonds	(138,639)	
Repayments of bond and note principal	10,790,000	
Amortization of discounts	(18,710)	
Amortization of premiums	10,323	615,020

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

17,619

The current year District employers share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

1,282,363

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	50,775	
Compensated absences	(2,974)	
Pension expense	(692,212)	
Other postemployment benefits	(92,318)	(736,729)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in Net Position of the Internal Service Fund is reported with governmental activities.

140,417

**Change in net position of governmental activities (Exhibit B)** **\$ 2,792,239**

See notes to financial statements.

**Exhibit G**

**Pella Community School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business Type Activities Non-Major Enterprise Funds	Governmental Activities Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 334,811	198,649
Inventories	18,593	-
Total current assets	353,404	198,649
Noncurrent assets:		
Property and equipment:		
Machinery and equipment	1,058,282	-
Accumulated depreciation	(928,739)	-
Total noncurrent assets	129,543	-
<b>Total assets</b>	482,947	198,649
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	42,914	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	2,198	-
Salaries and benefits payable	561	-
Total current liabilities	2,759	-
Noncurrent liabilities:		
Other postemployment benefits	168,684	-
Net pension liability	52,231	-
Total noncurrent liabilities	220,915	-
<b>Total liabilities</b>	223,674	-
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	64,331	-
<b>Net Position</b>		
Net investment in capital assets	129,543	-
Unrestricted	108,313	198,649
<b>Total Net Position</b>	\$ 237,856	198,649

See notes to financial statements.

**Exhibit H**

**Pella Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2015**

	Business Type Activities Non-Major Enterprise Funds	Governmental Activities Internal Service Fund
Operating revenue:		
Local sources:		
Operating revenues	\$ 776,825	290,075
Operating expenses:		
Instructional programs:		
Support services:		
Administrative services:		
Services	-	150,103
Non-instructional programs:		
Community service operations:		
Other	75,899	-
Food service operations:		
Depreciation	30,613	-
Other	1,025,092	-
	1,131,604	0
Total operating expenses	1,131,604	150,103
Operating income (loss)	(354,779)	139,972
Non-operating revenue:		
Local sources	1,093	445
State sources	7,719	-
Federal sources	318,184	-
Total non-operating revenue	326,996	445
Change in net position	(27,783)	140,417
Net position beginning of year, as restated	265,639	58,232
Net position end of year	\$ 237,856	198,649

See notes to financial statements.

**Exhibit I**

**Pella Community School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2015**

	Business Type Activities Non-Major Enterprise Funds	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 714,187	-
Cash received from service tuition, fees and other sources	62,638	290,075
Cash payments to employees for services	(515,067)	-
Cash payments to suppliers for goods or services	(528,916)	(189,987)
Net cash provided by (used by) operating activities	(267,158)	100,088
Cash flows from non-capital financing activities:		
State grants received	7,719	-
Federal grants received	246,555	-
Net cash provided by non-capital financing activities	254,274	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	-
Net cash provided by capital and related financing activities	-	-
Cash flows from investing activities:		
Interest on investments	1,093	445
Sale of investments	3,864	-
Net cash provided by investing activities	4,957	445
Net increase (decrease) in cash and cash equivalents	(7,927)	100,533
Cash and cash equivalents at beginning of year	342,738	98,116
Cash and cash equivalents at end of year	\$ 334,811	198,649
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>		
Operating income (loss)	\$ (354,779)	58,232
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities	71,629	-
Depreciation	30,613	-
Decrease in inventories	377	-
Decrease in prepaid expense	-	-
Increase in accounts payable	2,008	-
(Decrease) in medical claims payable	-	(39,884)
(Decrease) in salaries and benefits payable	(2,087)	-
(Decrease) in net pension liability	(58,459)	-
(Increase) in deferred outflows of resources	(18,060)	-
Increase in deferred inflows of resources	64,331	-
(Decrease) in other postemployment benefits payable	(2,731)	-
Net cash provided by (used by) operating activities	\$ (267,158)	18,348
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>		
Current assets:		
Cash and investments	\$ 334,811	198,649
Cash and cash equivalents at year end	\$ 334,811	198,649

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2014, the District received federal commodities valued at \$59,810.

See notes to financial statements.

**Exhibit J****Pella Community School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015**

	Private Purpose Trust	Expendable Trust
	Scholarship	Special Projects
<b>Assets</b>		
Current assets:		
Cash and pooled investments	\$ -	61,626
<b>Total assets</b>	-	61,626
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	-	563
<b>Total liabilities</b>	-	563
<b>Net position</b>		
Held in trust for scholarships and special projects	-	61,063
<b>Total Net Position</b>	\$ -	61,063

See notes to financial statements.

**Exhibit K****Pella Community School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2015**

---

	Private Purpose Trust	Expendable Trust
	Scholarship	Special Projects
Additions:		
Local sources:		
Contributions and donations	\$ -	34,543
Interest	174	-
Total revenues	174	34,543
Deductions:		
Instruction:		
Supplies	-	36,818
Other	89,795	322
Total expenditures	89,795	37,140
Change in net position	(89,621)	(2,597)
Net position beginning of year	89,621	63,660
Net position end of year	\$ -	61,063

See notes to financial statements.

**(1) Summary of Significant Accounting Policies**

Pella Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Pella, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Pella Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Pella Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.



Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following non-major proprietary funds:

The Enterprise, Community Services fund accounts for child after school operations and for community-family service operations authorized by Iowa Code 298A.12 and 279.49.

The Enterprise School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and change in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Expendable Trust Fund is used to account for assets held by the District for special projects of the District with funds given by individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that had a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The District has invested funds in the Iowa Schools Joint Investment Trust (ISJIT). ISJIT is an investment pool managed by the trustee, Bankers Trust, which allows governments within the State to pool their funds for investment purposes. ISJIT is registered with the SEC as an investment company and operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in ISJIT are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction and other expenditures functions.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

Credit risk. The investments in the Iowa Schools Joint Investment Trust is rated Aaa by Moody's Investors Service. The fair value of the District's position in these programs is the same as the value of the program shares. The District is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa, and certain joint investment trusts. The District may also invest in commercial paper or other short-term corporate debt that matures within two hundred seventy days that is rated in the highest classification, as established by at least one of the standard rating services approved by the superintendent of banking by rules adopted pursuant to Chapter 17A, provided that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

Concentration of credit risk. The District's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet all anticipated cash requirements. The District's policy further restricts investments in short-term corporate debt and commercial paper to no more than 30 percent of the investment portfolio of the District and no more than 5 percent of the investment portfolio can be invested in the securities of a single issuer.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Chapter 12c of the Code of Iowa requires all District funds be deposited into an approved depository and be either insured or collateralized.

### (3) Interfund Transfers

The *detail* of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 847,776
		<u>\$ 847,776</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,949,558	-	-	1,949,558
Construction in progress	3,799,543	15,977,213	6,357,492	13,419,264
Total capital assets not being depreciated	5,749,101	15,977,213	6,357,492	15,368,822
Capital assets being depreciated:				
Buildings	36,521,654	6,092,708	-	42,614,362
Improvements other than buildings	3,892,065	-	-	3,892,065
Furniture and equipment	12,164,436	1,060,575	132,485	13,092,526
Total capital assets being depreciated	52,578,155	7,153,283	132,485	59,598,953
Less accumulated depreciation for:				
Buildings	12,663,179	908,811	-	13,571,990
Improvements other than buildings	1,607,426	211,457	-	1,818,883
Furniture and equipment	9,690,475	775,169	132,485	10,333,159
Total accumulated depreciation	23,961,080	1,895,437	132,485	25,724,032
Total capital assets being depreciated, net	28,617,075	5,257,846	-	33,874,921
Governmental activities capital assets, net	\$ 34,366,176	21,235,059	6,357,492	49,243,743
<b>Business type activities:</b>				
Furniture and equipment	\$ 1,058,282	-	-	1,058,282
Less accumulated depreciation	898,126	30,613	-	928,739
Business type activities capital assets, net	\$ 160,156	(30,613)	-	129,543

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 1,080,202
Special education	164,550
Other	140,692

Support services:

Student support	27,433
Instructional staff	82,597
Administration	90,659
Operation and maintenance of plant	95,137
Transportation	207,537

Non-instructional programs

	6,630
Total depreciation expense - governmental activities	\$ 1,895,437

Business type activities:

Food services	\$ 30,613
---------------	-----------

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 37,310,000	10,105,000	10,790,000	36,625,000	1,520,000
General obligation bond discounts, net	(307,846)	(77,046)	(18,710)	(366,182)	(22,585)
General obligation bond premiums, net	184,873	138,639	10,323	313,189	17,771
Subtotal	37,187,027	10,166,593	10,781,613	36,572,007	1,515,186
Capital leases	472,834	-	233,822	239,012	239,012
Early retirement	447,308	359,419	430,972	375,755	205,097
Compensated absences	32,765	35,739	32,765	35,739	35,739
Net pension liability	10,997,925	-	2,830,508	8,167,417	-
Other postemployment benefits	688,992	92,318	-	781,310	-
Total governmental activities	\$ 49,826,851	10,654,069	14,309,680	46,171,240	1,995,034
Business type activities:					
Net pension liability	\$ 227,143	-	58,459	168,684	-
Other postemployment benefits	54,962	-	2,731	52,231	-
Total business type activities	\$ 282,105	-	61,190	220,915	-

General Obligation Bonds

Details of the District's June 30, 2015, general obligation bonded indebtedness are as follows:

Crossover Refunding Bond Issue of May 1, 2012				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	1.10%	\$ 915,000	174,765	1,089,765
2017	1.10%	920,000	164,700	1,084,700
2018	1.35%	925,000	154,580	1,079,580
2019	1.55%	945,000	142,092	1,087,092
2020	1.75%	955,000	127,445	1,082,445
2021	1.90%	965,000	110,732	1,075,732
2022	2.10%	985,000	92,398	1,077,398
2023	2.20%	1,000,000	71,712	1,071,712
2024	2.35%	1,025,000	49,713	1,074,713
2025	2.50%	1,025,000	25,625	1,050,625
Subtotal		9,660,000	1,113,762	10,773,762



Pella Community School District  
Notes to Financial Statements  
June 30, 2015

Bond Issue of July 15, 2013				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.00%	320,000	194,360	514,360
2017	2.00%	330,000	187,960	517,960
2018	2.00%	335,000	181,360	516,360
2019	2.00%	340,000	174,660	514,660
2020	2.00%	350,000	167,860	517,860
2021	2.00%	355,000	160,860	515,860
2022	2.00%	365,000	153,760	518,760
2023	2.00%	370,000	146,460	516,460
2024	2.10%	375,000	139,060	514,060
2025	2.50%	385,000	131,185	516,185
2026	2.75%	445,000	121,560	566,560
2027	3.00%	460,000	109,322	569,322
2028	3.00%	470,000	95,523	565,523
2029	3.00%	485,000	81,422	566,422
2030	3.00%	500,000	66,873	566,873
2031	3.15%	515,000	51,872	566,872
2032	3.25%	530,000	35,650	565,650
2033	3.35%	550,000	18,425	568,425
Subtotal		7,480,000	2,218,172	9,698,172

Bond Issue of June 2, 2014				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.00%	100,000	305,112	405,112
2017	2.00%	100,000	303,113	403,113
2018	2.00%	100,000	301,112	401,112
2019	2.00%	100,000	299,113	399,113
2020	2.00%	100,000	297,112	397,112
2021	2.00%	100,000	295,113	395,113
2022	2.00%	100,000	293,112	393,112
2023	2.50%	100,000	291,113	391,113
2024	2.50%	100,000	288,612	388,612
2025	3.00%	100,000	286,113	386,113
2026	3.00%	250,000	283,112	533,112
2027	3.00%	250,000	275,613	525,613
2028	3.00%	250,000	268,112	518,112
2029	3.00%	300,000	260,613	560,613
2030	3.13%	300,000	251,612	551,612
2031	3.25%	1,525,000	242,238	1,767,238
2032	3.50%	1,585,000	192,675	1,777,675
2033	3.50%	1,640,000	137,200	1,777,200
2034	3.50%	2,280,000	79,800	2,359,800
Subtotal		9,380,000	4,950,600	14,330,600

Pella Community School District  
Notes to Financial Statements  
June 30, 2015

Bond Issue of June 1, 2015				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	1.00%	85,000	247,261	332,261
2017	1.00%	65,000	246,411	311,411
2018	1.00%	75,000	245,761	320,761
2019	1.20%	75,000	245,011	320,011
2020	1.20%	80,000	244,111	324,111
2021	2.00%	200,000	243,151	443,151
2022	1.60%	200,000	239,151	439,151
2023	1.70%	210,000	235,951	445,951
2024	2.00%	215,000	232,381	447,381
2025	2.00%	245,000	228,081	473,081
2026	2.50%	1,105,000	223,181	1,328,181
2027	2.50%	1,140,000	195,556	1,335,556
2028	2.50%	1,180,000	167,056	1,347,056
2029	2.50%	1,160,000	137,556	1,297,556
2030	2.63%	1,195,000	108,556	1,303,556
2031	3.25%	15,000	77,188	92,188
2032	3.25%	5,000	76,700	81,700
2033	3.25%	-	76,538	76,538
2034	3.25%	-	76,538	76,538
2035	3.25%	2,355,000	76,538	2,431,538
Subtotal		9,605,000	3,622,677	13,227,677

Bond Issue of June 1, 2015				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.00%	100,000	10,000	110,000
2017	2.00%	100,000	8,000	108,000
2018	2.00%	100,000	6,000	106,000
2019	2.00%	100,000	4,000	104,000
2020	2.00%	100,000	2,000	102,000
Subtotal		500,000	30,000	530,000

Total				
Year ending June 30,		Principal	Interest	Total
2016		1,520,000	931,498	2,451,498
2017		1,515,000	910,184	2,425,184
2018		1,535,000	888,813	2,423,813
2019		1,560,000	864,876	2,424,876
2020		1,585,000	838,528	2,423,528
2021		1,620,000	809,856	2,429,856
2022		1,650,000	778,421	2,428,421
2023		1,680,000	745,236	2,425,236
2024		1,715,000	709,766	2,424,766
2025		1,755,000	671,004	2,426,004
2026		1,800,000	627,853	2,427,853
2027		1,850,000	580,491	2,430,491
2028		1,900,000	530,691	2,430,691
2029		1,945,000	479,591	2,424,591
2030		1,995,000	427,041	2,422,041
2031		2,055,000	371,298	2,426,298
2032		2,120,000	305,025	2,425,025
2033		2,190,000	232,163	2,422,163
2034		2,280,000	156,338	2,436,338
2035		2,355,000	76,538	2,431,538
Total		\$ 36,625,000	11,935,211	48,560,211

#### Crossover Refunding Bonds May 1, 2013

On May 1, 2012, the District issued \$9,660,000 in general obligation bonds to advance refund \$9,145,000 of outstanding general obligation bonds dated June 1, 2005 in a crossover type refunding. The proceeds of the refunding issue have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest due on the Series 2005 bonds ("refunding bonds") after June 1, 2015 and interest on the Series 2012 bonds ("refunding bonds") through June 1, 2015. The new refunding bonds have been added to the appropriate financial statements and schedules. The district remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2015, no such bonds are outstanding. The district remained liable for the principal and interest on the non-callable portion of the bonds through fiscal year end 2015. The escrow fund paid interest on the new advance refunding bonds until that time. No advance payments on the June 1, 2005 general obligation bonds were paid in the current year and final payment to pay off these bonds took place June 1, 2015. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$955,557 and resulted in an economic gain of \$816,170.

#### Capital Leases

The district purchased \$945,897 of computer equipment through capital leasing arrangements in the capital projects fund in fiscal 2013. The computer equipment is used primarily in the classroom and includes software. The District paid an initial down payment of \$244,319 in fiscal 2013.

The future minimum lease obligations as of June 30, 2015, are as follows:

	Year ending June 30, 2016	Capital Projects Fund
	\$	244,319
Total minimum lease payment		244,319
Amount representing interest		(5,307)
Present value of minimum lease payments	\$	239,012

#### Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement incentive for each eligible employee is based on a percentage of the employee's final year's salary. The percentage used for calculation is based on years of service to the District. The percentage varies from 38% for 10 years of service to 57% for 15 or more years of experience.

Early retirement benefits are paid monthly over the number of months until the employee turns 65. If the retiree is of an age that these monthly payments would exceed 36 months, the retiree may request payment over 36 months.

At June 30, 2015, the District has obligations to 25 participants with a total liability of \$375,755. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$225,875.

**(6) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 377 active and 6 retired members in the plan. Participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 years within the 12 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	122,783
Interest on net OPEB obligation		18,599
Adjustment to ARC		(43,243)
Annual OPEB cost		98,139
Contributions made		(8,551)
Increase in net OPEB obligation		89,588
Net OPEB obligation beginning of year		743,955
Net OPEB obligation end of year	\$	833,543

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$8,551 to the medical plan. Plan members eligible for benefits contributed 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 133,198	38.40%	\$ 210,507
June 30, 2011	161,651	13.33%	325,178
June 30, 2012	135,325	12.83%	443,141
June 30, 2013	162,728	8.16%	592,587
June 30, 2014	161,651	6.36%	743,955
June 30, 2015	98,139	8.71%	833,543

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2016, the actuarial accrued liability was \$755,450, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$755,450. The covered payroll (annual payroll of active employees covered by the plan) was

approximately \$14,656,751, and the ratio of the UAAL to covered payroll was 5.2%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$553 per month for retirees who have attained age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(7) Pension Plan**

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$1,308,848.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$8,336,101 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.205978 percent, which was an increase of 0.007196 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$590,151. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 90,597	-
Changes of assumptions	367,891	-
Net difference between projected and actual earnings on pension plan investments	-	3,179,149
Changes in proportion and differences between District contributions and proportionate share of contributions	353,435	-
District contributions subsequent to the measurement date	1,308,848	-
Total	<u>\$ 2,120,771</u>	<u>3,179,149</u>

\$1,308,848 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Pella Community School District**  
**Notes to Financial Statements**  
**June 30, 2015**

Year Ended June, 30	
2016	\$ (605,086)
2017	(605,086)
2018	(605,086)
2019	(605,086)
2020	53,116
	<u>\$ (2,367,226)</u>

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher 8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 15,750,828	\$ 8,336,101	\$ 2,077,303

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$145,405 for legally required employer contributions and \$96,882 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(8) Risk Management**

Pella Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$887,018 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Approved Bond Issue**

On April 2, 2013 the voters approved the issuance of up to \$29,100,000 in general obligation bonds. In July 2013 \$9,000,000 in general obligation bonds were issued, in June 2014 \$9,995,000 of general obligation bonds were issued, and in June 2015 \$10,105,000 of general obligation bonds were issued.

The bond issue includes:

- Redesign entrances at the high school, middle school and Jefferson so all visitors enter through the main office for security measures. Other safety and security issues will be addressed as well (security cameras, door access/card readers, interior door locks, etc.)
- Build, furnish and equip a new elementary building to replace the current Lincoln Elementary School (location will be decided by School Board after reviewing survey results)
- Build, furnish and equip a career academy building (this will be a partnership between DMACC, Pella Community Schools, Pella Christian High School – students will be able to receive dual credit in ten career readiness areas of need.)
- Significant improvements will be made to the high school – common area, drop off/pick up, arts addition (including art department, choir room, scene shop, etc.), athletic renovation/addition (including wrestling room addition, fitness/weight room expansion, locker room addition/renovation), administration addition, bring faculty up to code for Americans with Disabilities Act
- Improvements to the middle school include: removal of three classrooms and create learning centers, renovate restrooms, replace partition walls with full height walls to resolve acoustic issue, add additional classroom space
- Improvements at Madison will be focused on the playground area (green space and drainage)
- At this time, the District is very aware of the heating/cooling and air ventilation issues. The Board, through other funds, plan to address these issues in the near future.



(11) Commitments and Contingencies

The District has signed contracts for upgrades as follows:

Project	Projected Cost	Costs Incurred
Lincoln Elementary	\$ 14,782,000	6,965,100
Jefferson Intermediate Improvements	1,615,247	875,501
Middle School Improvements	5,766,241	5,766,241
High School Improvements	18,000,000	674,474
Career Academy	5,539,833	5,495,440
	<u>\$ 45,703,321</u>	<u>19,776,756</u>

(12) Accounting Change/Restatement

The Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 26,334,159	467,928
Net pension liability at June 30, 2014	(10,997,925)	(227,143)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	1,203,396	24,854
Net position July 1, 2014, as restated:	<u>\$ 16,539,630</u>	<u>265,639</u>

### **Required Supplementary Information**

**Pella Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Change in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 14,150,503	777,919	14,928,422	16,605,940	16,605,940	(1,677,518)
State sources	14,600,546	7,719	14,608,265	12,695,135	12,695,135	1,913,130
Federal sources	708,064	318,184	1,026,248	922,000	922,000	104,248
Total revenues	29,459,113	1,103,822	30,562,935	30,223,075	30,223,075	339,860
Expenditures:						
Instruction	16,716,331	-	16,716,331	16,275,000	17,000,000	283,669
Support services	7,488,665	-	7,488,665	7,457,000	8,000,000	511,335
Noninstructional programs	-	1,333,893	1,333,893	1,150,000	1,250,000	(83,893)
Other expenditures	29,073,610	-	29,073,610	18,996,295	25,000,000	(4,073,610)
Total expenditures	53,278,606	1,333,893	54,612,499	43,878,295	51,250,000	(3,362,499)
Excess (deficiency) of revenues over (under) expenditures	(23,819,493)	(230,071)	(24,049,564)	(13,655,220)	(21,026,925)	(3,022,639)
Other financing sources, net	10,181,653	-	10,181,653	5,000	5,000	10,176,653
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(13,637,840)	(230,071)	(13,867,911)	(13,650,220)	(21,021,925)	7,154,014
Balances beginning of year	30,609,944	467,928	31,077,872	23,630,280	23,630,280	7,447,592
Balances end of year	\$ 16,972,104	237,857	17,209,961	9,980,060	2,608,355	14,601,606

See accompanying independent auditor's report.

**Pella Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2015**

---

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$7,371,705.

During the year ended June 30, 2015, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

**Pella Community School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employee's Retirement System**  
**Last Fiscal Year\* (In Thousands)**  
**Required Supplementary Information**

	2015
District's proportion of the net pension liability	0.205978%
District's proportion of the net pension pension liability	\$ 8,336
District's covered-employee payroll	\$ 13,669
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.98%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Pella Community School District**  
**Schedule of District Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years (In Thousands)**  
**Required Supplementary Information**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 1,282	1,228	1,115	1,006	855	820	764	696	599	568
Contributions in relation to the statutorily required contribution	(1,282)	(1,228)	(1,115)	(1,006)	(855)	(820)	(764)	(696)	(599)	(568)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 14,513	13,669	12,832	12,416	12,166	12,025	11,802	11,200	10,118	9,658
Contributions as a percentage of covered-employee payroll	8.83%	8.98%	8.69%	8.10%	7.03%	6.82%	6.47%	6.21%	5.92%	5.88%

See accompanying independent auditor's report.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implements the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Pella Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**  
**Year ended June 30, 2015**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	835,783	835,783	0.0%	11,192,612	7.5%
2011	July 1, 2010	-	935,693	935,693	0.0%	11,304,748	8.3%
2012	July 1, 2010	-	938,941	938,941	0.0%	11,553,658	8.1%
2013	July 1, 2012	-	1,134,207	1,134,207	0.0%	11,868,905	9.6%
2014	July 1, 2012	-	1,102,880	1,102,880	0.0%	12,877,091	8.6%
2015	July 1, 2014	-	755,450	755,450	0.0%	14,656,751	5.2%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.



## **Supplementary Information**

**Schedule 1**

**Pella Community School District  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2015**

	Special Revenue Funds		
	Management	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 672,334	262,095	934,429
Receivables:			
Property tax:			
Current year delinquent	4,098	-	4,098
Succeeding year	500,003	-	500,003
Due from other governments	4	-	4
<b>Total assets</b>	<b>\$ 1,176,439</b>	<b>262,095</b>	<b>1,438,534</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,516	29,756	31,272
Salaries and benefits payable	-	1,184	1,184
Early retirement payable	205,097	-	205,097
Total liabilities	206,613	30,940	237,553
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	500,003	-	500,003
Total deferred inflows of resources	500,003	-	500,003
Fund balances:			
Restricted for:			
Management levy purposes	469,823	-	469,823
Student activities	-	231,155	231,155
Total fund balances	469,823	231,155	700,978
<b>Total liabilities, deferred inflows of resources and fund equity</b>	<b>\$ 1,176,439</b>	<b>262,095</b>	<b>1,438,534</b>

See accompanying independent auditor's report.

**Schedule 2**

**Pella Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year Ended June 30, 2015**

	Special Revenue Funds		
	Student		
	Management	Activity	Total
Revenues:			
Local sources:			
Local tax:			
Property tax	\$ 641,588	-	641,588
Utility tax replacement excise tax	5,983	-	5,983
Mobile home tax	361	-	361
	647,932	-	647,932
Other local sources:			
Interest on investments	1,906	813	2,719
Student activities	-	783,335	783,335
Other	9,704	78,885	88,589
	11,610	863,033	874,643
	659,542	863,033	1,522,575
State sources:			
Revenue in lieu of taxes :			
Military credit	179	-	179
Total revenues	659,721	863,033	1,522,754
Expenditures:			
Current:			
Instruction:			
Regular	309,672	-	309,672
Other	-	924,114	924,114
	309,672	924,114	1,233,786
Support services:			
Student services	1,118	-	1,118
Instructional staff services	671	-	671
Administration	7,454	-	7,454
Operation and maintenance of plant	136,830	-	136,830
Student transportation	102,614	-	102,614
	248,687	-	248,687
Total expenditures	558,359	924,114	1,482,473
Excess (deficiency) of revenues over (under) expenditures	101,362	(61,081)	40,281
Fund balances beginning of year	368,461	292,236	660,697
Fund balances end of year	\$ 469,823	231,155	700,978

See accompanying independent auditor's report.

**Schedule 3**

**Pella Community School District  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2015**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Booster/PTO Concessions	\$ 25,612	109,282	121,585	13,309
HS Drama	-	18,535	10,523	8,012
HS Speech	-	4,695	4,695	-
HS Debate	100	-	-	100
HS Vocal	33,317	91,496	78,719	46,094
Vocal Music Trip Account	15,668	1,190	4,648	12,210
HS Instr. Music	3,103	19,371	18,145	4,329
Marching Dutch Invitational	13,607	15,507	29,114	-
HS Instr. Music Fundraiser-Band Trip	72,362	153,530	221,446	4,446
Band Uniform	-	5,756	5,756	-
Orchestra	-	1,528	1,110	418
Athletics	14,677	29,248	43,925	-
HS Boys Bask.	-	6,227	6,227	-
HS Football	-	26,747	26,747	-
HS Boys Soccer	-	6,685	6,685	-
HS Baseball	-	6,903	6,903	-
HS Track	-	1,803	1,803	-
HS Boys Cross Country	-	2,769	2,769	-
HS Boys Tennis	-	2,314	2,314	-
HS Boys Golf	-	3,721	3,721	-
HS Wrestling	-	3,485	3,485	-
HS Girls Basketball	-	8,998	8,998	-
HS Volleyball	-	5,190	5,190	-
HS Girls Soccer	-	3,563	3,563	-
HS Softball	-	3,720	3,720	-
HS Girls Track	-	3,180	3,180	-
HS Girls Cross Country	-	2,906	2,906	-
HS Girls Tennis	-	689	689	-
HS Girls Golf	-	1,763	1,763	-
HS Girls Swimming	-	75	75	-
HS Miscellaneous Activity	-	25,809	-	25,809
Boys Basketball Club	3,570	5,888	3,544	5,914
HS Football Club	1,579	1,000	107	2,472
Boys Soccer Club	6,506	3,922	6,910	3,518
Baseball Club	1,802	8,415	5,884	4,333
Boys Track Club	544	2,382	2,162	764
Cross Country Club	4,039	3,936	4,581	3,394
HS Boys Tennis Club	1,928	822	1,534	1,216
HS Girls Tennis Club	28	1,371	369	1,030
Boys Golf Club	91	318	56	353
Wrestling Club	330	4,119	2,216	2,233
Girls Basketball Club	47	5,982	5,149	880
Volleyball Club	2,083	1,920	2,249	1,754
Girls Soccer Club	782	4,783	4,484	1,081
Softball Club	724	6,525	6,126	1,123
Girls Track Club	1,326	3,898	3,311	1,913
Girls Golf Club	278	971	588	661
Drill Team-Forte	-	19,050	19,050	-
HS Cheerleaders	2,810	4,962	4,313	3,459

**Schedule 3**

**Pella Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2015**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
FFA	6,118	47,360	39,691	13,787
FCS	15,847	4,657	4,714	15,790
Humanities	645	-	-	645
Technology Student Association	6,400	1,717	789	7,328
National Honor Society	308	432	740	-
Pep Club-PAAC	245	144	389	-
HS PE Heart Club	1,496	-	271	1,225
HS Vending	1,281	323	1,604	-
HS Testing	-	8,951	8,951	-
French Club	1,612	-	-	1,612
Pella Connection Club	1,339	-	-	1,339
HS Student Council	1,018	3,069	2,991	1,096
Class of 2014	2,894	-	2,894	-
Class of 2015	1,839	315	2,154	-
Class of 2016	1,787	3,489	4,197	1,079
Class of 2017	2,210	800	-	3,010
Class of 2018	580	800	-	1,380
Class of 2019	-	5,222	3,807	1,415
Publications	6,933	31,302	35,934	2,301
Student Help Center	1,235	751	1,986	-
Interest	822	813	822	813
After Prom Club	3,551	12,137	13,648	2,040
Football Parents	2,769	29,377	32,146	-
MS Vocal Music	8,954	9,594	8,816	9,732
MS Instrumental Music	4,551	2,223	700	6,074
MS Athletics	-	4,941	4,941	-
MS Boys Basketball	-	960	960	-
MS Football	-	3,736	3,736	-
MS Boys Track	-	3,683	3,683	-
MS Cross Country	-	240	240	-
MS Wrestling	-	280	280	-
MS Girls Basketball	-	1,371	1,371	-
MS Volleyball	-	1,443	1,443	-
MS Softball	-	938	938	-
MS Girls Track	-	266	266	-
MS Cheerleaders	-	38	38	-
MS Library/Book Fair	214	-	-	214
MS History Day Club	21	-	-	21
MS Gifted and Talented	483	-	-	483
MS Publications	916	8,184	6,526	2,574
MS Student Council	824	-	195	629
MS Activity	6,913	3,102	8,787	1,228
MS Home Ec	136	239	-	375
MS Language Arts	112	-	-	112
MS Social Studies	304	-	-	304
MS AR Store	69	-	69	-
MS Concessions	-	4,896	4,437	459
Lincoln Elementary	-	4,496	4,496	-
Madison Elementary	897	9,434	7,066	3,265
Jefferson Elementary	-	4,361	4,361	-
Totals	\$ 292,236	863,033	924,114	231,155

See accompanying independent auditor's report.

**Pella Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2015**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 3,343,565	47,940	12,746,837	16,138,342
Receivables:				
Property tax:				
Current year delinquent	-	-	-	-
Succeeding year	-	770,572	-	770,572
Accounts	-	4,725	-	4,725
Due from other governments	313,589	5	-	313,594
<b>Total assets</b>	<b>\$ 3,657,154</b>	<b>823,242</b>	<b>12,746,837</b>	<b>17,227,233</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 110,196	9,584	3,109,487	3,229,267
Total liabilities	110,196	9,584	3,109,487	3,229,267
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	770,572	-	770,572
Total deferred inflows of resources	-	770,572	-	770,572
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
School infrastructure	3,546,958	-	9,637,350	13,184,308
Physical plant and equipment	-	43,086	-	43,086
Total fund balances	3,546,958	43,086	9,637,350	13,227,394
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,657,154</b>	<b>823,242</b>	<b>12,746,837</b>	<b>17,227,233</b>

See accompanying independent auditor's report.

**Pella Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2015**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	Total
Revenues:				
Local sources:				
Local tax:				
Property tax	\$ -	755,386	-	755,386
Utility tax replacement excise tax	-	6,829	-	6,829
Mobile home tax	-	412	-	412
	-	762,627	-	762,627
Other local sources:				
Interest on investments	10,300	-	43,506	53,806
Contributions	-	-	28,797	28,797
	10,300	-	72,303	82,603
	10,300	762,627	72,303	845,230
State sources:				
Revenue in lieu of taxes :				
Statewide sales, service and use tax	2,096,063	11,076	-	2,107,139
Military credit	-	205	-	205
	2,096,063	11,281	-	2,107,344
Total revenues	2,106,363	773,908	72,303	2,952,574
Expenditures:				
Instruction:				
Regular instruction:				
Property	198,308	1,504	-	199,812
Total instruction	198,308	1,504	-	199,812
Support Services:				
Instructional staff services:				
Property	-	80,456	-	80,456
Administration:				
Services	-	755	-	755
Supplies	-	76,824	-	76,824
Property	-	91,473	-	91,473
	-	169,052	-	169,052
Operation and maintenance of plant services:				
Property	-	240,693	-	240,693
Transportation services:				
Property	-	217,970	-	217,970
Total support services	-	708,171	-	708,171
Other expenditures:				
Facilities acquisition and construction:				
Services	405,850	-	15,489,466	15,895,316
Property	-	36,248	-	36,248
Other	-	4,202	-	4,202
	405,850	40,450	15,489,466	15,935,766
Total expenditures	604,158	750,125	15,489,466	16,843,749
Excess (deficiency) of revenues over (under) expenditures	1,502,205	23,783	(15,417,163)	(13,891,175)
Other financing sources (uses):				
General obligation bond proceeds	-	-	10,105,000	10,105,000
General obligation bond premium	-	-	138,639	138,639
General obligation bond discount	-	-	(77,047)	(77,047)
Operating transfers out	(847,776)	-	-	(847,776)
	(847,776)	-	10,166,592	9,318,816
Change in fund balances	654,429	23,783	(5,250,571)	(4,572,359)
Fund balances beginning of year	2,892,529	19,303	14,887,921	17,799,753
Fund balances end of year	\$ 3,546,958	43,086	9,637,350	13,227,394

See accompanying independent auditor's report.

**Schedule 6**

**Pella Community School District  
Combining Statement of Net Position  
Proprietary Funds  
June 30, 2015**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Fund
	Community Services	Nutrition Services	Total	Self-Funded Health Reimbursement
<b>Assets</b>				
Current assets:				
Cash and investments	\$ -	334,811	334,811	198,649
Inventories	-	18,593	18,593	-
Total current assets	-	353,404	353,404	198,649
Noncurrent assets:				
Property and equipment:				
Machinery and equipment	-	1,058,282	1,058,282	-
Accumulated depreciation	-	(928,739)	(928,739)	-
Total noncurrent assets	-	129,543	129,543	-
<b>Total assets</b>	-	482,947	482,947	198,649
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	-	42,914	42,914	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	2,198	2,198	-
Salaries and benefits payable	-	561	561	-
Total current liabilities	-	2,759	2,759	-
Noncurrent liabilities:				
Net pension liability	-	168,684	168,684	-
Other postemployment benefits	-	52,231	52,231	-
Total noncurrent liabilities	-	220,915	220,915	-
<b>Total liabilities</b>	-	223,674	223,674	-
<b>Deferred Inflows of Resources</b>				
Pension related deferred inflows	-	64,331	64,331	-
<b>Net Position</b>				
Net investment in capital assets	-	129,543	129,543	-
Unrestricted	-	108,313	108,313	198,649
<b>Total Net Position</b>	\$ -	237,856	237,856	198,649

See accompanying independent auditor's report.



Schedule 7

Pella Community School District  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2015

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Fund
	Community Services	Nutrition Services	Total	Self-Funded Health Reimbursement
Operating revenues:				
Local sources:				
Other local sources:				
Community service tuition and fees	\$ 59,958	-	59,958	-
Sale of lunches and breakfasts	-	714,187	714,187	-
Charges for service	-	-	-	290,075
Other service revenue	-	2,680	2,680	-
Total operating revenues	59,958	716,867	776,825	290,075
Operating expenses:				
Instructional programs:				
Support services:				
Administrative services:				
Services	-	-	-	150,103
	-	-	-	150,103
Non-instructional programs:				
Community service operations:				
Salaries	28,510	-	28,510	-
Benefits	4,727	-	4,727	-
Supplies	22,486	-	22,486	-
Other	20,176	-	20,176	-
	75,899	-	75,899	-
Food services operations:				
Salaries	-	336,744	336,744	-
Benefits	-	128,080	128,080	-
Services	-	25,365	25,365	-
Supplies	-	534,903	534,903	-
Depreciation	-	30,613	30,613	-
	-	1,055,705	1,055,705	-
Total operating expenses	75,899	1,055,705	1,131,604	150,103
Operating income (loss)	(15,941)	(338,838)	(354,779)	139,972
Non-operating revenues:				
Interest income	-	1,093	1,093	445
State lunch and breakfast program claims	-	7,719	7,719	-
National School Lunch Program	-	219,997	219,997	-
School Breakfast Program	-	26,558	26,558	-
Food distribution	-	71,629	71,629	-
Total non-operating revenues	-	326,996	326,996	445
Change in Net Position	(15,941)	(11,842)	(27,783)	140,417
Net Position beginning of year, as restated	15,941	249,698	265,639	58,232
Net Position end of year	\$ -	237,856	237,856	198,649

See accompanying independent auditor's report.

## Schedule 8

**Pella Community School District**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2015**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Fund
	Community Services	Nutrition Services	Total	Self-Funded Health Reimbursement
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ -	714,187	714,187	-
Cash received from service tuition, fees and other sources	59,958	2,680	62,638	290,075
Cash payments to employees for services	(33,237)	(481,830)	(515,067)	(189,987)
Cash payments to suppliers for goods or services	(42,662)	(486,254)	(528,916)	-
Net cash used by operating activities	(15,941)	(251,217)	(267,158)	100,088
Cash flows from non-capital financing activities:				
Operating grants and contributions	-	-	-	-
State grants received	-	7,719	7,719	-
Federal grants received	-	246,555	246,555	-
Net cash provided by operating activities	-	254,274	254,274	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	-	-	-
Net cash used by capital and related financing activities	-	-	-	-
Cash flows from investing activities:				
Interest on investments	-	1,093	1,093	445
Sale of investments	-	3,864	3,864	-
Net cash provided by investing activities	-	4,957	4,957	445
Net increase (decrease) in cash and cash equivalents	(15,941)	8,014	(7,927)	100,533
Cash and cash equivalents at beginning of year	15,941	326,797	342,738	98,116
Cash and cash equivalents at end of year	\$ -	334,811	334,811	198,649
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (15,941)	(338,838)	(354,779)	139,972
Adjustments to reconcile operating loss to net cash used by operating activities:				
Commodities	-	71,629	71,629	-
Depreciation	-	30,613	30,613	-
Decrease in inventories	-	377	377	-
Decrease in prepaid expense	-	-	-	-
Increase in accounts payable	-	2,008	2,008	-
(Decrease) in medical claims payable	-	-	-	(39,884)
(Decrease) in salaries and benefits payable	-	(2,087)	(2,087)	-
(Decrease) in net pension liability	-	(58,459)	(58,459)	-
(Increase) in deferred outflows of resources	-	(18,060)	(18,060)	-
Increase in deferred inflows of resources	-	64,331	64,331	-
(Decrease) in other postemployment benefits payable	-	(2,731)	(2,731)	-
Net cash provided (used) by operating activities	\$ (15,941)	(251,217)	(267,158)	100,088

**Schedule 8**

**Pella Community School District  
Combining Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2015**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Fund
	Community Services	Nutrition Services	Total	Self-Funded Health Reimbursement
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash and investments	\$ -	334,811	334,811	198,649
Cash and cash equivalents at year end	\$ -	334,811	334,811	198,649

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2015, the District received federal commodities valued at \$71,629.

See accompanying independent auditor's report.

## Schedule 9

**Pella Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 11,950,722	11,128,270	12,176,769	11,418,696	10,462,055	10,316,935	9,924,433	8,759,431	8,331,502	8,227,665
Tuition	867,199	863,556	894,493	880,470	662,720	696,529	614,100	498,004	623,795	592,952
Other	1,332,582	1,314,524	1,109,041	1,193,265	1,234,151	1,065,637	948,695	1,041,828	1,358,267	1,501,637
Intermediate sources	-	-	-	30,346	29,017	54,462	41,897	18,785	37,523	18,082
State sources	14,600,546	13,769,315	11,542,976	11,393,402	10,597,204	8,834,772	10,489,005	10,318,253	9,168,676	8,531,765
Federal sources	708,064	717,096	559,196	677,010	1,482,236	1,014,007	717,166	477,670	424,983	521,521
Total	\$ 29,459,113	27,792,761	26,282,475	25,593,189	24,467,383	21,982,342	22,735,296	21,113,971	19,944,746	19,393,622
Expenditures:										
Instruction:										
Regular	\$ 10,014,187	9,651,743	9,841,345	8,595,515	8,252,456	8,120,373	8,052,519	7,476,168	6,830,022	6,329,880
Special	3,169,338	3,013,007	2,850,721	2,643,627	2,480,176	2,361,109	2,332,868	2,344,069	2,028,208	1,781,523
Other	3,532,806	3,376,859	3,054,646	2,994,676	3,169,367	2,708,732	2,273,264	2,001,692	1,961,808	1,922,355
Support services:										
Student	506,778	495,077	506,928	394,164	365,025	385,386	412,003	386,123	302,002	306,129
Instructional staff	1,422,171	1,315,534	1,137,848	1,241,138	958,151	676,907	661,268	753,039	762,889	809,570
Administration	1,942,312	1,799,779	1,821,709	1,949,057	1,626,341	1,954,006	1,737,873	1,634,630	1,462,779	1,643,583
Operation and maintenance of plant services	2,414,815	2,260,583	2,156,112	1,954,464	1,904,435	1,759,611	1,809,861	1,847,350	1,706,062	1,675,658
Transportation	1,202,589	1,167,440	1,084,364	845,468	901,297	992,893	1,031,167	1,113,573	1,130,895	1,028,477
Non-instructional programs	-	-	-	-	-	-	-	-	-	-
Other expenditures:										
Facilities acquisition	15,935,766	4,514,930	164,600	304,445	390,406	2,972,609	1,989,527	2,849,534	9,094,847	4,020,376
Long-term debt:										
Principal	11,023,822	2,838,744	2,054,319	1,685,000	1,610,000	1,460,000	4,265,000	1,170,000	1,115,000	1,070,000
Interest and other charges	1,227,004	958,370	791,556	764,835	696,153	757,001	772,857	833,430	891,941	931,550
AEA flowthrough	887,018	868,667	832,321	818,473	887,814	856,878	781,173	732,846	660,488	610,764
Total	\$ 53,278,606	32,260,733	26,296,469	24,190,862	23,241,621	25,005,505	26,119,380	23,142,454	27,946,941	22,129,865

See accompanying independent auditor's report.

**Schedule 10****Pella Community School District  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 15	\$ 26,558
National School Lunch Program	10.555	FY 15	291,626
			<u>318,184</u>
 U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 15	<u>125,028</u>
Vocational Education - Basic Grants to States	84.048	FY 15	<u>30,098</u>
Improving Teacher Quality State Grants	84.367	FY 15	<u>52,047</u>
Grants for State Assessments and Related Activities	84.369	FY 15	<u>10,960</u>
 Area Education Agency (AEA 11):			
Special Education - Grants to States	84.027	FY 15	<u>167,888</u>
 Total			<u>\$ 704,205</u>

See accompanying independent auditor's report.

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Pella Community School District for the year ended June 30, 2015. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of states, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. Significant Accounting Policies**

For governmental funds, in accordance with the modified accrual basis of accounting, revenue from federal grants is recognized when they become both measureable and available. For proprietary funds, in accordance with the accrued basis of accounting, revenues from federal grants are recognized in the period they are earned. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

**Note 3. Noncash Assistance**

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$71,629 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555



705 Main Street  
Pella, IA 50219  
Ph.: 641-628-3737  
Fax: 641-628-3757

[www.vanmaanencpa.com](http://www.vanmaanencpa.com)

**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Education of Pella Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Pella Community School District, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pella Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pella Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pella Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Pella Community School District's Responses to Findings

Pella Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pella Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pella Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 15, 2015





705 Main Street  
Pella, IA 50219  
Ph.: 641-628-3737  
Fax: 641-628-3757

[www.vanmaanencpa.com](http://www.vanmaanencpa.com)

**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133**

To the Board of Education of Pella Community School District:

### Report on Compliance for Each Major Federal Program

We have audited Pella Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Pella Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pella Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pella Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Pella Community School District's compliance.

### Opinion on Each Major Federal Program

In our opinion, Pella Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

The management of Pella Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pella Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

Pella Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Pella Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

December 15, 2015

**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
  - CFDA Number 84.010– Title I to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pella Community School District did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

II-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, expenditures are recorded and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

### Part III: Findings and Questioned Costs for Federal Awards

#### INSTANCES OF NON-COMPLIANCE:

No matters were noted.

#### INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2015  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I to Local Education Agencies  
Federal Award Year: 2015  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

### Part IV: Other Findings Related to Required Statutory Reporting

IV-A-15 Certified Budget - Expenditures for the year ended June 30, 2015, exceeded the certified budget amounts in the non-instructional programs and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted

IV-B-15 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

**Pella Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2015**

---

- IV-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-15 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,892,529
Revenues/transfers in:			
Sales tax revenues	\$	2,096,063	
Other local revenues		10,300	2,106,363
			<u>4,998,892</u>
Expenditures/transfers out:			
Instruction		198,308	
Construction services		405,850	
Transfers to other funds:			
Debt service funds		847,776	1,451,934
			<u>3,546,958</u>
Ending balance		\$	<u>3,546,958</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.